



STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
AGING AND DISABILITY SERVICES ADMINISTRATION
*PO Box 45600 * Olympia, WA 98504-5600*

**Notice of Adjustment of Medicaid Nursing Facility
Rates Pursuant to RCW 74.46.421**

February 23, 2011

The purpose of this notice is to advise nursing facilities that participate in the Medicaid program that the Department of Social and Health Services (the Department) intends to implement rate adjustments for each facility pursuant to RCW 74.46.421 as of April 1, 2011.

Earlier this month, the Legislature passed Engrossed Substitute House Bill 1086, the revised supplemental operating budget for State Fiscal Year (SFY) 2011. In Section 205 (1) of the budget, the Legislature provided that the weighted average nursing facility payment rate for SFY 2011 (ending June 30, 2011) shall not exceed \$161.86. The weighted average nursing facility payment rate for SFY 2011 had previously been set at \$166.24.

Therefore, the Department must invoke the provisions of RCW 74.46.421, commonly referred to as the "budget dial" statute. Specifically, the relevant sections state:

(4) (a) The statewide average payment rate for any state fiscal year under the nursing facility payment system, weighted by patient days, shall not exceed the annual statewide weighted average nursing facility payment rate identified for that fiscal year in the biennial appropriations act.

(b) If the department determines that the weighted average nursing facility payment rate calculated in accordance with this chapter is likely to exceed the weighted average nursing facility payment rate identified in the biennial appropriations act, then the department shall adjust all nursing facility payment rates proportional to the amount by which the weighted average rate allocations would otherwise exceed the budgeted rate amount. Any such adjustments for the



current fiscal year shall only be made prospectively, not retrospectively, and shall be applied proportionately to each component rate allocation for each facility.

Per WAC 388-96-724, the Department must give advance notice of at least twenty-eight calendar days to facilities of a reduction taken under RCW 74.46.421. The rate reduction is then effective the first day of the month following the end of the twenty-eight day notice period.

This letter is the Department's formal notice to all Medicaid-contracted nursing facilities that rates will be reduced pursuant to RCW 74.46.421. The effective date of the rate reduction will be April 1, 2011.

Medicaid rates for nursing facilities were last calculated as of January 1, 2011. Effective April 1, 2011, those rates will be reduced by a percentage reduction factor (PRF) that, when applied to all nursing facilities' rates, will result in a statewide weighted average payment rate for SFY 2011 that is equal to or less than \$161.86. The PRF for the April 1, 2011 rate will be approximately 12.4%. The PRF reflects the fact that, while the change from \$166.24 to \$161.86 applies to rates paid for the entire fiscal year, the difference will have to be made up over a period of only three months. The Department will issue the April 1, 2011 rates at the end of March.

In accordance with WAC 388-96-901 (1)(b), budget dial actions are not subject to administrative review under WAC 388-96-904:

WAC 388-96-901 (1)(b) Adverse actions taken under the authority of this chapter or chapter 74.46. RCW not subject to administrative review under WAC 388-96-904 include but are not limited to:

- (i) Actions taken under the authority of RCW 74.46.421 and section of this chapter implementing RCW 74.46.421;...

If you have any questions concerning this notice, please call your assigned analyst or contact Ed Southon, Manager of the Nursing Home Rates Section, at (360) 725-2469 or southch@dshs.wa.gov.

Sincerely,



Kathy Marshall, Director
Management Services Division
Aging and Disability Services Administration